

NSC BRIEFING

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CHINA

- I. Despite strides Peiping making toward its goals of industrialization and big power status, past year was a rough one internally for regime--perhaps the worst it has encountered in past decade.
  - A. Usual bouyant year-end statements on domestic achievements have been missing.
    1. In their place regime has painted a picture of a country buffeted by terrible natural calamities.
    2. More than half the total cultivated acreage said to have been hit by worst weather in 100 years; as result, goals for grain and light industry (which depends heavily upon agriculture) not met.
- II. We doubt that the weather was quite as bad as Peiping alleges.
  - A. Independent weather information does show drought and flood, but not worse than in 1959.
  - B. We estimate that the 1960 grain crop was about the same as in 1959--some 190,000,000 tons, or about 25 million tons less than 1958.
  - C. Food supply has decreased since 1958 while population has increased about 30 million.
    1. Ration cuts and scattered evidence of malnutrition have been reported. A Japanese agriculturist estimated that many Chinese he encountered during a month's tour of China were undernourished.
    2. And the already strained food situation will almost certainly get worse during the coming winter and spring.

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- III. "Leap Forward" slogan retained in domestic propaganda only with respect to heavy industry.
- A. Regime asserts that key heavy industry targets such as steel and electric power have been fulfilled despite interruptions traced to bad weather.
  - B. Gains in heavy industry impressive, e.g., steel output reached over 18 million tons, making China one of the six or seven largest producers in the world.
  - C. However, abrupt withdrawal of Soviet technicians in August, transport and raw materials difficulties, and serious shortages of POL which developed during last five months make it unlikely that overall industrial and investment goals will be fulfilled.
- IV. By overstressing the impact of the bad weather, the regime is very likely trying to exonerate itself and its policies (leap forward, communes) from blame for the current troubles.
- A. Peiping no longer tries to hide fact that agriculture not "leaping forward."
  - B. The commune still exists, but largely on paper only, in both rural and urban areas.
    - 1. In rural areas Chinese Communists have been forced by practical failures of the commune system into a series of modifications which in effect have resulted in the pre-commune collective farm resuming main responsibility for production and distribution.

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2. In urban areas communes were never permitted to play a role in operation of key urban utilities and state-owned factories.
3. The only remaining social innovation introduced with the commune is the messhalls, and these have not proved a resounding success in a nation generally short of food.
- C. Regime may also be preparing ground for a return to reasonably realistic agricultural statistics.
- D. Only other effect of current troubles noted in political sphere has been the sacking of the party first secretary in one province particularly hard hit by calamities.
  1. Search for further scapegoats will probably be pressed in coming months, if the situation worsens; search may reach into leadership in Peiping.
- V. It is too early to say with confidence that the current problems are anything more than the temporary difficulties Peiping claims.
  - A. Nation should be able to scrape through til next harvest on reduced rations.
  - B. But effects of continuing marginal diets will further reduce labor productivity and further undermine the confidence of the Chinese in regime's ability to deal with nation's age-old problems.
  - C. A third successive bad crop year might seriously shake the regime.

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